



Opening Statement
Chairman Mick Mulvaney
House Subcommittee on Contracting and Workforce
“Construction Contracting: Barriers for Small Business Contractors”
February 9, 2012

Good morning. I now call this hearing to order.

We are here today to discuss the impediments that small businesses face when competing for federal government construction contracts. The federal sector is an extremely important portion of the construction market, accounting for 40 percent of the value of ongoing overall private and public sector construction activity in 2010, compared to an average of about 20 percent in the prior decade. However, in our current economic climate, the construction industry faces extremely low profit margins and an incredibly high unemployment rate – over 17% just last month, which as high as that is, is the lowest the unemployment rate has been for this industry in the last two years. Against that backdrop, we have regulatory requirements of the federal contracting process that are costly, burdensome, and often prohibit small businesses from successfully competing on contracts, especially construction contracts. This is unsatisfactory.

We will hear testimony that brings to the forefront issues that small businesses cope with on a daily basis as prime construction contractors and subcontractors on construction projects – from numerous statutory and regulatory changes to obstacles dictating how construction work will be solicited and awarded. For example, the bundling of construction contract requirements often prevents smaller entities from competing for contracts that only large entities have the resources to perform. However, as a former home builder myself, I know that small construction companies have the resources and expertise to build in their communities for competitive prices.

We will also examine challenges involved with the sealed bidding method of contract awards; the manner in which SBA calculates the prime contractor’s credit for subcontracting goals; the prompt payment of prime contractors and subcontractors on construction contracts; the government’s retention of contract payment on some construction contracts; and the desirability of a locality preference for construction contracts.

Finally, we will address the effectiveness of SBA’s surety bond program and look at the individual surety bond market’s role in securing bonds for government contracts.

The testimonies today will help the Subcommittee determine if legislative changes or policy clarifications are needed to further maximize small business participation in construction contracting.

I’d like to thank all of our witnesses for being here today. We look forward to your testimony on construction, surety bonding, programs that assist small business and any contracting barriers that may preclude and hinder small businesses’ ability to compete for federal government construction contracts.

We have two members from the full committee who have asked to join us today. Rep. Richard Hanna from Colorado and Rep. Jamie Herrera Beutler from Washington State both have legislation that pertains to this hearing’s topic and would like to join us to hear testimony from our witnesses.

The chair permits Representatives Hanna and Herrera Beutler to join us for today’s hearing if Ranking Member Chu concurs.

I now yield to Ranking Member Chu for her opening remarks.